

29.27 BUSINESS STUDIES (565)

29.27.1 Business Studies Paper 1 (565/1)

Name Index Number...../.....

**565//1
BUSINESS STUDIES
Paper 1
Oct./Nov. 2008
2 hours**

Candidate's Signature

Date

**THE KENYA NATIONAL EXAMINATIONS COUNCIL
Kenya Certificate of Secondary Education
BUSINESS STUDIES
Paper 1
2 hours**

Instructions to candidates

Write your name and Index number in the spaces provided above.

Sign and write the date of the examination in the spaces provided above.

Answer all the questions.

All answers must be written in the spaces provided in this booklet.

Do not remove any pages from this booklet.

For Examiner's use only

Question	1	2	3	4	5	6	7	8	9	10	11	12	13
Marks													

Question	14	15	16	17	18	19	20	21	22	23	24	25
Marks												

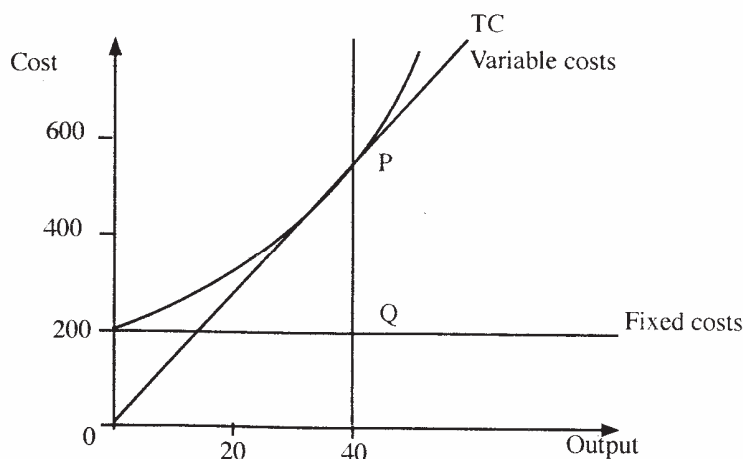
**TOTAL
MARKS**

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This paper consists of 11 printed pages.

Candidates should check the question paper to ascertain that all the pages are printed as indicated and no questions are missing.

- 1 State **four** advantages of division of labour. (4 marks)
- 2 Outline **four** features of a Private Limited Company. (4 marks)
- 3 State **four** ways in which a warehouse is of importance to a manufacturer. (4 marks)
- 4 The diagram below shows total cost curve of a firm in the short-run.



- Calculate the average variable cost of the firm. (4 marks)
- 5 Outline **four** benefits that may accrue to a business person who uses e-mail to communicate. (4 marks)
 - 6 Outline the meaning of the following terms as used in accounting:
 - (a) Contra entry..... (2 marks)
 - (b) Cash discount..... (2 marks)
 - 7 For each of the following transactions in the table below, indicate in the spaces provided, the source document from which the transaction would be recorded. (4 marks)

No.	Transaction	Source document
(a)	Sales of goods on credit	
(b)	Correction of an under charge	
(c)	Goods returned	
(d)	Purchases on credit	

- 8 State the type of ledger account to which each of the following accounts relates: (4 marks)

	Account	Type of Ledger account
(a)	Commission Income	
(b)	Pre-paid Insurance	
(c)	Supplier	
(d)	Motor Vehicle	

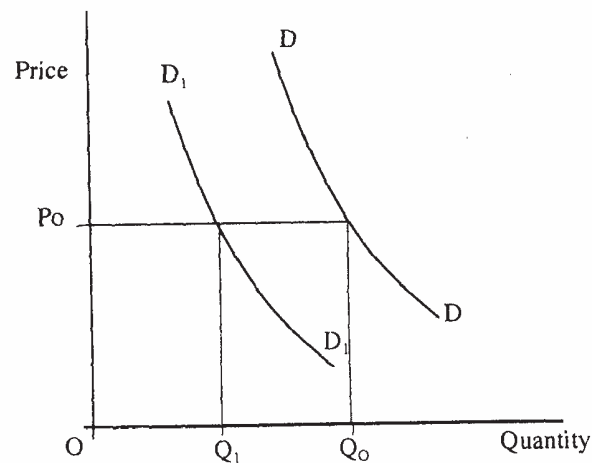
- 9 The following balances were extracted from the books of Solai Traders as at 31st May 2006:

	Sh.
Current assets	220,000
Capital	425,000
Net profit	85,000
Creditors	98,200
Accrued expenses	11,800

Determine:

- (a) Working capital (2 marks)
- (b) Return on capital (2 marks)
- 10 On 31 December 2005, Kiwa had accrued expenses of Sh.24,000. On 31st December, 2006, the accrued expenses were Sh.30,000. In 2006 expenses paid for amounted to Sh.85,000. Determine the expenses for the year 2006. (4 marks)
- 11 Outline the circumstances under which each of the following characteristics of human wants may be observed:
- (a) Complementary wants (2 marks)
- (b) Wants become habitual (2 marks)
- 12 Outline **four** factors that an entrepreneur should consider before setting up a manufacturing business. (4 marks)
- 13 Outline **four** requirements for opening a current account with a commercial bank. (4 marks)
- 14 Outline **four** factors that a trader would consider in choosing a mode of transport. (4 marks)
- 15 State **four** reasons why ethical practice is necessary in Product Promotion. (4 marks)
- 16 The economy of a country X has grown at the rate of 10% per annum for the last two years. However, the standard of living among the citizens has not changed. Outline **four** reasons that may have contributed to this trend. (4 marks)

- 17 The figure below shows a decrease in demand for a commodity from DD to D_1D_1 .



State **four** possible causes that have led to this situation. (4 marks)

- 18 The following information relates to Ole Traders as at 30th June 2007:

	Shs.
Machinery	200,000
Furniture	100,000
Premises	400,000
Debtors	160,000
Cash in hand	10,000
Bank overdraft	100,000
Creditors	40,000

Calculate capital for Ole Traders as at 30 June 2007: (4 marks)

- 19 Outline the purpose of a trial balance as used in bookkeeping. (4 marks)

- 20 State **two** characteristics of each of the following balance sheet elements: (4 marks)

- (a) Assets
- (b) Liabilities

- 21 Outline **four** measures that a government may put in place to reduce high inflation in a country. (4 marks)

- 22** Elephant Enterprises acquired a building valued at sh 1 000 000 on 1 January 2007. The building was insured with two insurance companies, Zebra and Simba for sh 600 000 and sh 400 000 respectively. In May 2007, fire damaged the building, causing Elephant Enterprises to suffer a loss of 20% of the building value. Determine contribution made by Simba and Zebra to cover the loss. (4 marks)
- 23** Outline **four** benefits that accrue to a business person who uses the latest technology in record keeping. (4 marks)
- 24** Visitors to the offices of Triple B Enterprises have been complaining of lack of etiquette from the secretaries. Highlight **four** measures that the secretaries can take to improve the office etiquette. (4 marks)
- 25** Outline **four** reasons why the government may use regulatory measures to protect consumers against exploitation. (4 marks)